

Revised 03/31/05

**JANUARY 05 UPDATE TO
FY 2004 IMPROPER MEDICARE
FEE-FOR-SERVICE PAYMENT REPORT**

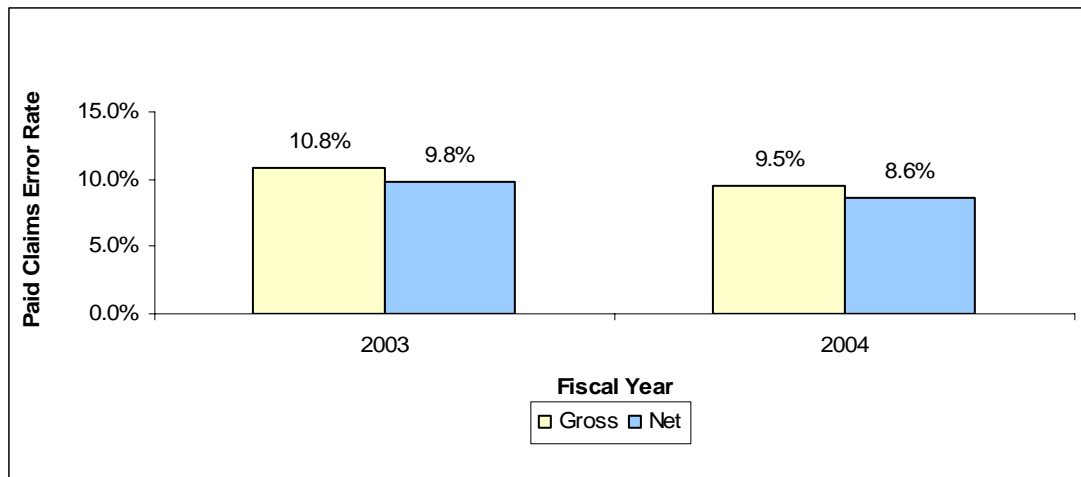
REPORT FINDINGS

Gross vs. Net Values (FY2003 - 2004)

Year	Total Payments Issued in Medicare FFS Program	Overpayments Made by Medicare FFS Program	Underpayments Made by Medicare FFS Program	Gross (Overpayments + Underpayments)		Net (Overpayments - Underpayments)	
				Improper Payment Amount	Error Rate	Improper Payment Amount	Error Rate
2003	\$ 199.1 B	\$ 20.5 B	\$ 0.9 B	\$ 21.5 B *	10.8% *	\$19.6 B *	9.8% *
2004	\$ 213.5 B	\$19.3B	\$ 0.9 B	\$20.2B	9.5%	\$18.4B	8.6%

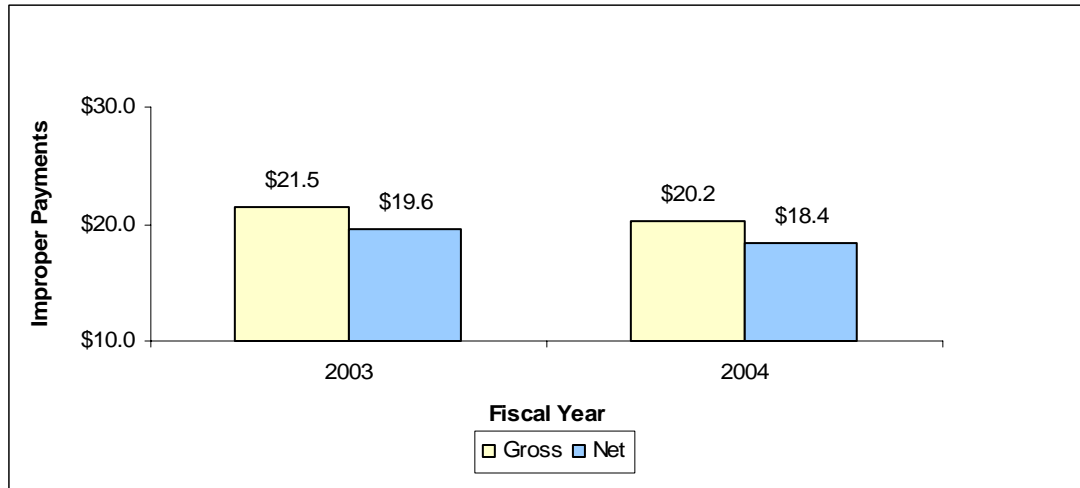
* These figures have not been adjusted to account for the high provider non-response experienced in 2003.

Gross and Net National Medicare FFS Error Rates*



* The 2003 figures have not been adjusted to account for the high provider non-response experienced in 2003. Had the adjustment been made, the national paid claims would have been 6.4% (gross) and 5.8% (net).

Gross and Net National Projected Improper Payments*



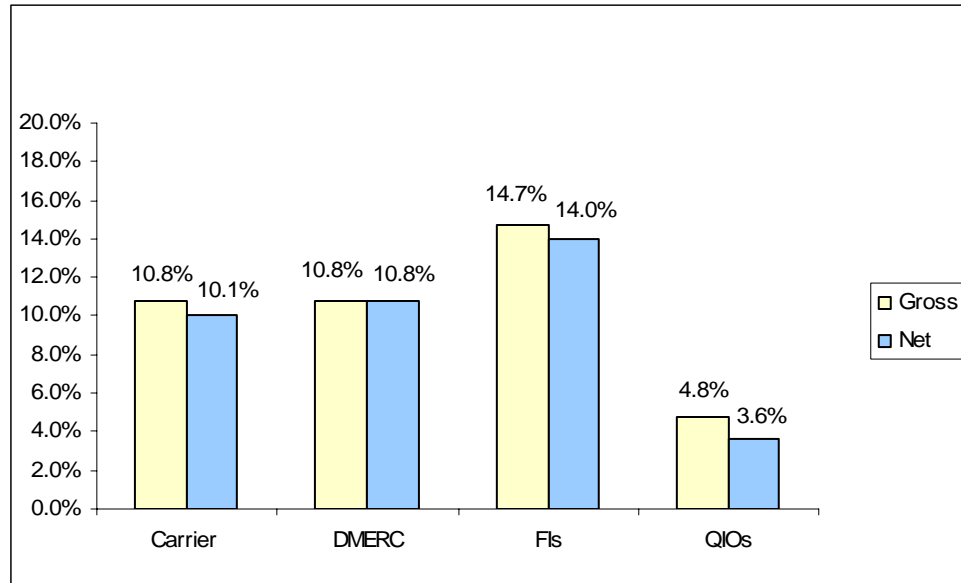
* All data has been adjusted to exclude beneficiary co-payments, deductibles, and reductions to recover previous overpayments. The 2003 figures have not been adjusted to account for the high provider non-response experienced in 2003. Had the adjustment been made, the improper payments would have been \$12.7 B (gross) and \$11.6 B (net).

Underpayments and Overpayments by Contractor Type (FY 2004)*

			Gross (Overpayments + Underpayments)		Net (Overpayments - Underpayments)	
	Overpayments	Underpayments	Improper Payments	Error Rate	Improper Payments	Error Rate
Carrier	\$6.3B	\$0.2B	\$6.5B	10.8%	\$6.1B	10.1%
DMERC	\$0.9B	\$0.0B	\$0.9B	10.8%	\$0.9B	10.8%
FI	\$8.5B	\$0.2B	\$8.7B	14.7%	\$8.3B	14.0%
QIOs	\$3.6B	\$0.5B	\$4.1B	4.8%	\$3.1B	3.6%
All Medicare FFS	\$19.3B	\$0.9B	\$20.2B	9.5%	\$18.4B	8.6%

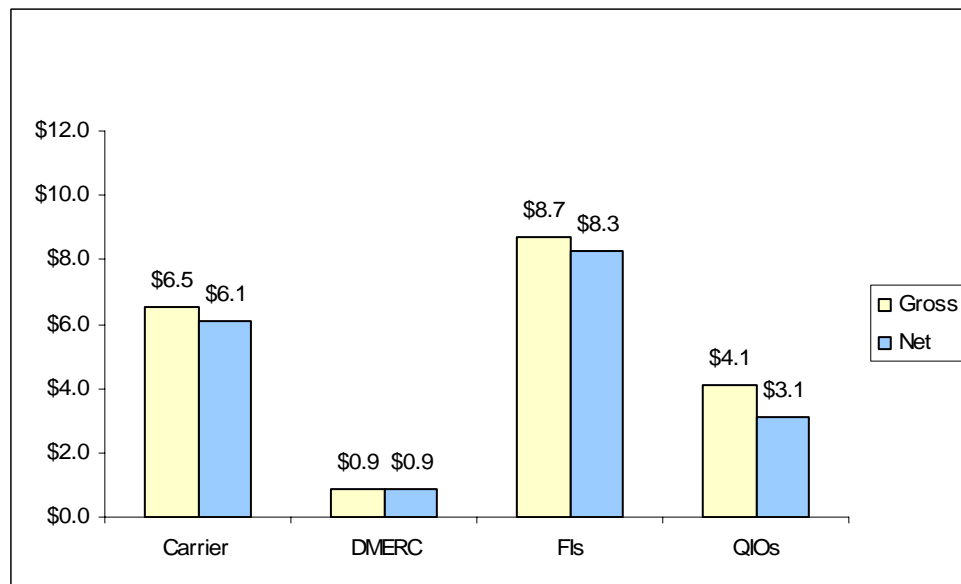
* All data has been adjusted to exclude beneficiary co-payments, deductibles, and reductions to recover previous overpayments.

Error Rates by Contractor Type (FY 2004)*



* All data in these charts has been adjusted to exclude beneficiary co-payment, deductible, and reductions to recover previous overpayments.

Improper Payments by Contractor Type (FY 2004)*



* All data in these charts has been adjusted to exclude beneficiary co-payment, deductible, and reductions to recover previous overpayments.

CONTRACTOR SPECIFIC FINDINGS

Gross Error Rates: Carriers (FY 2004)

Carrier Clusters	Paid/Allowed Claims Error Rate					Provider Compliance Error Rate		Services Processed Error Rate	
	Including Non-Response Claims	Projected Improper Payments Including Non-Response Claims*	Standard Error	95% Confidence Interval	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims
WPS WI/IL/MI/MN	11.1%	\$905,563,472	1.6%	8.0% - 14.2%	7.6%	24.6%	22.1%	12.3%	8.5%
Empire NY/NJ	10.7%	\$784,800,410	1.5%	7.7% - 13.7%	8.6%	25.7%	24.3%	11.9%	8.7%
First Coast Service Options FL	10.3%	\$757,090,378	1.1%	8.1% - 12.4%	7.4%	22.1%	20.0%	11.9%	9.5%
Trailblazer TX	14.4%	\$743,196,110	1.5%	11.5% - 17.3%	10.2%	31.2%	28.4%	14.7%	10.6%
NHIC CA	10.6%	\$722,954,490	1.1%	8.4% - 12.8%	8.1%	29.1%	27.7%	13.8%	11.3%
CIGNA ID/TN/NC	11.5%	\$565,961,476	1.8%	8.1% - 15.0%	8.4%	19.9%	17.2%	11.4%	9.4%
Noridian AZ/HI/NV/AK/OR/WA	10.6%	\$528,021,780	1.6%	7.4% - 13.7%	9.2%	25.3%	24.2%	11.8%	9.1%
Cahaba GBA AL/GA/MS	11.6%	\$448,365,430	1.6%	8.4% - 14.7%	8.8%	23.9%	21.9%	13.0%	10.1%
Palmetto GBA OH/WV	10.1%	\$425,694,020	1.1%	8.0% - 12.2%	8.5%	22.4%	21.4%	11.2%	9.1%
Trailblazer MD/DC/DE/VA	9.7%	\$405,557,144	1.1%	7.5% - 11.9%	6.7%	26.6%	24.6%	10.6%	7.7%
HGSA PA	9.5%	\$342,595,959	1.2%	7.1% - 11.9%	8.0%	24.6%	23.6%	11.5%	9.8%
NHIC MA/ME/NH/VT	10.0%	\$332,524,823	1.0%	8.1% - 11.8%	7.0%	23.1%	20.9%	11.5%	8.8%
BCBS AR NM/OK/LA	12.3%	\$282,407,166	1.2%	10.0% - 14.6%	8.6%	25.1%	22.5%	13.5%	9.3%
AdminaStar IN/KY	10.3%	\$278,080,079	1.5%	7.3% - 13.3%	6.7%	17.1%	14.0%	9.8%	7.3%
BCBS AR AR/MO	9.9%	\$226,015,457	1.2%	7.6% - 12.1%	7.6%	23.1%	21.4%	11.4%	8.7%
Noridian CO/ND/SD/WY/IA	9.8%	\$183,914,487	1.4%	7.1% - 12.5%	6.8%	29.8%	28.0%	8.7%	6.7%
Palmetto GBA SC	11.6%	\$137,407,572	1.5%	8.6% - 14.5%	10.2%	20.7%	19.6%	13.3%	11.3%
Triple S, Inc. PR/VI	18.2%	\$125,174,557	1.6%	15.0% - 21.3%	14.7%	25.9%	23.0%	20.6%	18.1%
HealthNow NY	8.8%	\$118,280,050	1.3%	6.2% - 11.3%	6.1%	19.9%	17.8%	11.0%	8.5%
BCBS KS KS/NE/Kansas City	7.3%	\$117,108,560	1.0%	5.3% - 9.3%	5.1%	13.7%	11.7%	10.4%	8.3%
First Coast Service Options CT	7.9%	\$87,104,222	0.9%	6.2% - 9.6%	6.6%	27.0%	25.9%	9.5%	8.0%
GHI NY	15.3%	\$57,393,077	1.6%	12.2% - 18.4%	12.1%	28.7%	26.4%	15.4%	12.1%
BCBS UT	11.9%	\$41,472,143	1.3%	9.3% - 14.5%	7.7%	28.3%	25.5%	12.9%	9.3%
BCBS RI	10.6%	\$25,082,853	1.1%	8.4% - 12.9%	7.8%	26.3%	24.3%	12.0%	9.6%
BCBS MT	5.9%	\$11,382,287	0.9%	4.2% - 7.7%	5.5%	21.1%	20.9%	8.5%	7.6%
All Carrier Clusters	10.8%	\$8,653,148,005	0.3%	10.1% - 11.5%	8.1%	24.6%	22.7%	12.1%	9.3%

* All data has not been adjusted to exclude beneficiary co-payments, deductibles, and reductions to recover previous overpayments.

Paid/Allowed Claims Error Rate: This is the percentage of dollars that carriers erroneously paid and is a good indicator of how accurately each carrier paid claims.

Provider Compliance Error Rate: This rate is based on how claims looked when they first arrived at the carrier – before the carrier applied any edits or conducted any reviews. The provider compliance error rate is a good indicator of how well the carrier is educating the provider community since it measures how well providers prepared claims for submission.

Services Processed Error Rate: This rate is based on the number of services processed and measures whether the carrier made appropriate payment decisions on claims.

Net Error Rates: Carriers (FY 2004)

Carrier Clusters	Paid/Allowed Claims Error Rate					Provider Compliance Error Rate	
	Including Non-Response Claims	Projected Improper Payments Including Non-Response Claims*	Standard Error	95% Confidence Interval	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims
WPS WI/IL/MI/MN	10.6%	\$861,387,584	1.6%	7.5% - 13.6%	7.0%	24.2%	21.7%
Empire NY/NJ	9.9%	\$727,286,164	1.5%	6.9% - 13.0%	7.8%	25.1%	23.6%
First Coast Service Options FL	9.6%	\$709,435,089	1.1%	7.5% - 11.8%	6.8%	21.5%	19.4%
Trailblazer TX	13.6%	\$703,751,628	1.5%	10.7% - 16.5%	9.4%	30.6%	27.9%
NHIC CA	10.1%	\$691,711,734	1.1%	7.9% - 12.3%	7.6%	28.7%	27.3%
CIGNA ID/TN/NC	10.5%	\$515,376,502	1.8%	7.0% - 14.0%	7.3%	19.0%	16.3%
Noridian AZ/HI/NV/AK/OR/WA	10.2%	\$510,810,550	1.6%	7.1% - 13.4%	8.8%	25.0%	23.9%
Palmetto GBA OH/WV	9.7%	\$410,744,394	1.1%	7.6% - 11.8%	8.2%	22.1%	21.0%
Cahaba GBA AL/GA/MS	10.2%	\$395,336,325	1.6%	7.1% - 13.3%	7.4%	22.7%	20.7%
Trailblazer MD/DC/DE/VA	8.7%	\$362,513,362	1.1%	6.5% - 10.9%	5.7%	25.7%	23.7%
NHIC MA/ME/NH/VT	9.3%	\$309,516,725	0.9%	7.4% - 11.1%	6.3%	22.5%	20.3%
HGSA PA	8.6%	\$308,567,340	1.2%	6.2% - 10.9%	7.1%	23.8%	22.8%
BCBS AR NM/OK/LA	11.8%	\$271,922,088	1.2%	9.5% - 14.1%	8.1%	24.8%	22.1%
AdmiralStar IN/KY	9.5%	\$256,988,407	1.5%	6.5% - 12.5%	5.9%	16.4%	13.3%
BCBS AR AR/MO	9.2%	\$211,531,574	1.2%	7.0% - 11.5%	6.9%	22.5%	20.8%
Noridian CO/ND/SD/WY/IA	9.2%	\$172,595,551	1.4%	6.5% - 11.9%	6.2%	29.3%	27.5%
Palmetto GBA SC	10.9%	\$129,984,527	1.5%	8.0% - 13.9%	9.5%	20.1%	19.0%
Triple S, Inc. PR/VI	17.3%	\$119,507,054	1.6%	14.2% - 20.5%	13.9%	25.0%	22.1%
BCBS KS KS/NE/Kansas City	6.7%	\$106,868,830	1.0%	4.7% - 8.7%	4.4%	13.0%	11.0%
HealthNow NY	7.8%	\$104,713,038	1.3%	5.2% - 10.3%	5.1%	19.0%	16.9%
First Coast Service Options CT	7.3%	\$81,100,191	0.9%	5.6% - 9.0%	6.0%	26.5%	25.5%
GHI NY	13.6%	\$51,178,420	1.6%	10.5% - 16.7%	10.3%	27.3%	25.0%
BCBS UT	11.5%	\$40,105,641	1.3%	9.0% - 14.1%	7.2%	28.0%	25.1%
BCBS RI	10.2%	\$24,023,510	1.1%	8.0% - 12.4%	7.3%	25.9%	23.9%
BCBS MT	5.1%	\$9,789,974	0.9%	3.4% - 6.8%	4.7%	20.5%	20.2%
All Carrier Clusters	10.1%	\$8,086,746,203	0.3%	9.4% - 10.8%	7.4%	24.0%	22.1%

* This data has not been adjusted to exclude beneficiary co-payments, deductibles, and reductions to recover previous overpayments.

Paid/Allowed Claims Error Rate: This is the percentage of dollars that carriers erroneously paid and is a good indicator of how accurately each carrier paid claims.

Provider Compliance Error Rate: This rate is based on how claims looked when they first arrived at the carrier – before the carrier applied any edits or conducted any reviews. The provider compliance error rate is a good indicator of how well the carrier is educating the provider community since it measures how well providers prepared claims for submission.

Gross and Net Error Rates: DMERCs (FY 2004)

DMERCs	Paid/Allowed Claims Error Rate					Provider Compliance Error Rate		Services Processed Error Rate	
	Including Non-Response Claims	Projected Improper Payments Including Non-Response Claims*	Standard Error	95% Confidence Interval	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims
Palmetto GBA-Region C	13.6%	\$703,693,292	2.8%	8.2% - 19.1%	4.5%	23.0%	15.8%	9.1%	5.7%
CIGNA-Region D	10.7%	\$207,693,804	1.5%	7.7% - 13.6%	6.9%	20.0%	16.8%	10.0%	7.5%
AdminaStar Federal-Region B	6.5%	\$145,864,337	0.9%	4.7% - 8.3%	5.5%	13.8%	13.0%	8.1%	6.9%
Tricenturion-Region A	7.5%	\$105,465,383	0.9%	5.8% - 9.2%	5.4%	13.8%	12.0%	9.4%	6.9%
All DMERCs	10.8%	\$1,162,716,816	1.4%	8.1% - 13.5%	5.3%	19.4%	14.9%	9.1%	6.5%

* This data has not been adjusted to exclude beneficiary co-payments, deductibles, and reductions to recover previous overpayments.

Please note: Gross and Net figures were the same since there were no significant DMERC underpayments.

Paid/Allowed Claims Error Rate: This is the percentage of dollars that DMERCs erroneously paid and is a good indicator of how accurately each DMERC paid claims.

Provider Compliance Error Rate: This rate is based on how claims looked when they first arrived at the DMERC – before the DMERC applied any edits or conducted any reviews. The provider compliance error rate is a good indicator of how well the DMERC is educating the provider community since it measures how well providers prepared claims for submission.

Services Processed Error Rate: This rate is based on the number of services processed and measures whether the DMERC made appropriate payment decisions on claims.

Gross Error Rates: FIs (FY 2004)

FI Clusters	Paid/Allowed Claims Error Rate					Provider Compliance Error Rate		Services Processed Error Rate	
	Including Non-Response Claims	Projected Improper Payments Including Non-Response Claims*	Standard Error	95% Confidence Interval	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims
Mutual of Omaha	22.1%	\$2,610,770,591	3.1%	15.9% - 28.2%	16.7%	N/A	N/A	N/A	N/A
UGS CA/HI/AS/GU/NMI	20.2%	\$1,221,023,854	2.1%	16.1% - 24.3%	13.6%	N/A	N/A	N/A	N/A
AdminaStar IA/IN/IL/KY/OH	11.0%	\$1,059,205,048	2.5%	6.1% - 15.9%	6.9%	N/A	N/A	N/A	N/A
Empire NY/CT/DE	16.9%	\$983,491,022	2.9%	11.2% - 22.5%	12.0%	N/A	N/A	N/A	N/A
Palmetto GBA SC	10.5%	\$744,711,220	1.1%	8.5% - 12.6%	6.4%	N/A	N/A	N/A	N/A
UGS MI/WI	11.8%	\$677,743,540	2.2%	7.6% - 16.0%	7.8%	N/A	N/A	N/A	N/A
Trailblazer TX/CO/NM	12.9%	\$592,326,378	1.8%	9.5% - 16.4%	8.0%	N/A	N/A	N/A	N/A
First Coast Service Options FL	22.2%	\$549,735,379	2.9%	16.6% - 27.9%	16.5%	N/A	N/A	N/A	N/A
Palmetto GBA NC	16.5%	\$527,938,007	3.0%	10.7% - 22.4%	13.1%	N/A	N/A	N/A	N/A
Riverbend TN/NJ	14.1%	\$511,056,430	2.6%	9.1% - 19.2%	7.8%	N/A	N/A	N/A	N/A
CareFirst MD/DC	22.5%	\$488,055,011	4.9%	13.0% - 32.0%	16.8%	N/A	N/A	N/A	N/A
Veritus PA	13.9%	\$290,984,474	2.4%	9.3% - 18.5%	12.1%	N/A	N/A	N/A	N/A
Anthem MA/ME	9.3%	\$265,252,579	2.0%	5.3% - 13.3%	5.7%	N/A	N/A	N/A	N/A
Trispan MS/LA/MO	15.2%	\$259,322,491	2.5%	10.3% - 20.2%	13.2%	N/A	N/A	N/A	N/A
CAHABA GBA IA	5.8%	\$248,981,025	1.0%	3.8% - 7.8%	4.4%	N/A	N/A	N/A	N/A
Noridian MN/ND	16.8%	\$221,715,211	3.3%	10.4% - 23.3%	9.8%	N/A	N/A	N/A	N/A
UGS VA/WV	15.3%	\$221,064,488	2.8%	9.8% - 20.8%	12.5%	N/A	N/A	N/A	N/A
BCBS RI	22.1%	\$172,943,366	3.2%	15.9% - 28.3%	19.2%	N/A	N/A	N/A	N/A
Premera WA/AK	13.9%	\$139,924,914	3.0%	8.0% - 19.7%	12.8%	N/A	N/A	N/A	N/A
BCBS GA	6.6%	\$138,110,184	1.5%	3.6% - 9.6%	4.2%	N/A	N/A	N/A	N/A
BCBS AR	26.3%	\$127,806,769	5.5%	15.6% - 37.0%	12.0%	N/A	N/A	N/A	N/A
CAHABA GBA AL	15.3%	\$108,320,177	2.2%	11.0% - 19.7%	8.3%	N/A	N/A	N/A	N/A
Medicare Northwest OR/ID/UT	13.9%	\$100,267,693	2.6%	8.8% - 19.0%	9.7%	N/A	N/A	N/A	N/A
BCBS OK	8.6%	\$96,049,816	2.2%	4.4% - 12.8%	7.6%	N/A	N/A	N/A	N/A
BCBS KS	8.6%	\$44,595,842	2.1%	4.6% - 12.7%	6.1%	N/A	N/A	N/A	N/A
Anthem NH/VT	6.1%	\$39,276,076	1.3%	3.5% - 8.7%	3.2%	N/A	N/A	N/A	N/A
BCBS NE	10.9%	\$32,739,462	2.3%	6.3% - 15.5%	4.1%	N/A	N/A	N/A	N/A
BCBS AZ	7.2%	\$23,367,582	1.4%	4.4% - 9.9%	5.6%	N/A	N/A	N/A	N/A
COSVI PR/VI	10.8%	\$17,216,880	1.9%	7.1% - 14.5%	4.7%	N/A	N/A	N/A	N/A
BCBS WY	14.1%	\$11,723,865	2.7%	8.8% - 19.4%	12.7%	N/A	N/A	N/A	N/A
BCBS MT	4.7%	\$10,862,915	1.3%	2.2% - 7.2%	3.9%	N/A	N/A	N/A	N/A
All FI Clusters	14.7%	\$12,536,582,292	0.7%	13.4% - 16.1%	10.3%	N/A	N/A	N/A	N/A

* This data has not been adjusted to exclude beneficiary co-payments, deductibles, and reductions to recover previous overpayments.

Paid/Allowed Claims Error Rate: This is the percentage of dollars that FIs erroneously paid and is a good indicator of how accurately each FI paid claims.

Provider Compliance Error Rate: These rates will be available in a future report.

Services Processed Error Rate: These rates may be available in a future report.

Net Error Rates: FIs (FY 2004)

FI Clusters	Paid/Allowed Claims Error Rate					Provider Compliance Error Rate	
	Including Non-Response Claims	Projected Improper Payment Amount Including Non-Response*	Standard Error	95% Confidence Interval	Excluding Non-Response Claims	Including Non-Response Claims	Excluding Non-Response Claims
Mutual of Omaha	22.0%	\$2,600,169,255	3.1%	15.9% - 28.1%	16.7%	N/A	N/A
UGS CA/HI/AS/GU/NMI	20.1%	\$1,215,175,431	2.1%	16.0% - 24.2%	13.6%	N/A	N/A
AdminaStar IA/IN/IL/KY/OH	10.7%	\$1,031,322,189	2.5%	5.8% - 15.6%	6.6%	N/A	N/A
Empire NY/CT/DE	16.6%	\$966,936,287	2.9%	10.9% - 22.2%	11.8%	N/A	N/A
Palmetto GBA SC	10.4%	\$734,630,987	1.1%	8.3% - 12.5%	6.2%	N/A	N/A
UGS MI/WI	11.8%	\$675,065,861	2.2%	7.5% - 16.0%	7.8%	N/A	N/A
Trailblazer TX/CO/NM	12.7%	\$583,692,772	1.8%	9.3% - 16.2%	7.9%	N/A	N/A
First Coast Service Options FL	22.2%	\$548,269,974	2.9%	16.5% - 27.8%	16.4%	N/A	N/A
Palmetto GBA NC	16.5%	\$527,534,488	3.0%	10.7% - 22.3%	13.1%	N/A	N/A
CareFirst MD/DC	21.9%	\$475,618,220	4.9%	12.3% - 31.5%	16.2%	N/A	N/A
Veritus PA	13.2%	\$276,855,341	2.4%	8.6% - 17.9%	11.4%	N/A	N/A
Anthem MA/ME	8.8%	\$251,184,215	2.1%	4.8% - 12.8%	5.2%	N/A	N/A
Trispan MS/LA/MO	14.4%	\$245,873,036	2.5%	9.5% - 19.4%	12.3%	N/A	N/A
CAHABA GBA IA	5.3%	\$224,959,080	1.0%	3.2% - 7.3%	3.8%	N/A	N/A
UGS VA/WV	15.2%	\$220,461,875	2.8%	9.7% - 20.7%	12.5%	N/A	N/A
NORIDIAN MN/ND	16.2%	\$213,203,295	3.3%	9.7% - 22.7%	9.1%	N/A	N/A
Riverbend TN/NJ	4.3%	\$155,100,662	2.7%	(0.9%) - 9.5%	4.6%	N/A	N/A
BCBS RI	18.2%	\$142,725,926	3.2%	11.9% - 24.6%	15.4%	N/A	N/A
BCBS GA	6.4%	\$134,791,597	1.5%	3.5% - 9.4%	4.0%	N/A	N/A
BCBS AR	26.3%	\$127,758,123	5.5%	15.6% - 37.0%	11.9%	N/A	N/A
CAHABA GBA AL	15.2%	\$107,119,553	2.2%	10.8% - 19.5%	8.1%	N/A	N/A
Medicare Northwest OR/ID/UT	13.8%	\$100,023,333	2.6%	8.8% - 18.9%	9.7%	N/A	N/A
BCBS OK	8.2%	\$91,556,596	2.1%	4.0% - 12.4%	7.2%	N/A	N/A
Premera WA/AK	7.0%	\$70,598,440	3.1%	1.0% - 13.0%	5.8%		
BCBS KS	8.4%	\$43,112,490	2.1%	4.3% - 12.4%	5.9%	N/A	N/A
Anthem NH/VT	6.0%	\$38,380,419	1.3%	3.4% - 8.6%	3.0%	N/A	N/A
BCBS NE	10.9%	\$32,591,430	2.4%	6.3% - 15.5%	4.1%	N/A	N/A
BCBS AZ	7.0%	\$22,737,217	1.4%	4.2% - 9.8%	5.4%	N/A	N/A
COSVI PR/VI	10.7%	\$17,007,449	1.9%	7.0% - 14.4%	4.5%	N/A	N/A
BCBS WY	13.7%	\$11,382,019	2.7%	8.4% - 19.1%	12.3%	N/A	N/A
BCBS MT	4.4%	\$10,194,191	1.3%	2.0% - 6.9%	3.6%	N/A	N/A
ALL FI Clusters	14.0%	\$11,896,031,751	0.7%	12.7% - 15.3%	9.8%	N/A	N/A

* This data has not been adjusted to exclude beneficiary co-payments, deductibles, and reductions to recover previous overpayments.

Paid/Allowed Claims Error Rate: This is the percentage of dollars that FIs erroneously paid and is a good indicator of how accurately each FI paid claims.

Provider Compliance Error Rate: These rates will be available in a future report.